

# SENATE BILL 732

C4

2lr0890

---

By: **Senator Muse**

Introduced and read first time: February 3, 2012

Assigned to: Finance

---

## A BILL ENTITLED

1 AN ACT concerning

2 **Low-Cost Automobile Insurance Program – Prince George’s County**

3 FOR the purpose of establishing a Low-Cost Automobile Insurance Program in Prince  
4 George’s County; establishing the purpose of the Program; providing that the  
5 Program is part of the Maryland Automobile Insurance Fund; altering the  
6 purpose of the Fund; providing for the administration and development of the  
7 Program; authorizing the Program to sell, issue, and deliver certain policies of  
8 automobile insurance to individuals who meet certain eligibility requirements;  
9 providing that low-cost automobile insurance policies issued by the Program  
10 shall provide certain minimum coverages with certain exceptions and may  
11 contain other provisions under certain circumstances; establishing certain  
12 limitations on policies issued by the Program; providing that a low-cost policy  
13 issued by the Program shall satisfy certain minimum security required by  
14 certain provisions of law; requiring the Executive Director of the Maryland  
15 Automobile Insurance Fund to determine certain premiums subject to the  
16 approval of the Maryland Insurance Commissioner; authorizing certain  
17 insurance producers to bind certain coverage under certain circumstances;  
18 requiring certain notice to applicants about the limitations under the low-cost  
19 policies; authorizing the Program to reject applications for coverage under the  
20 Program and to cancel low-cost policies under certain circumstances; requiring  
21 the Board of Trustees of the Maryland Automobile Insurance Fund, in  
22 consultation with the Maryland Insurance Administration, to adopt certain  
23 regulations; defining a certain term; and generally relating to the Low-Cost  
24 Automobile Insurance Program in Prince George’s County.

25 BY repealing and reenacting, with amendments,  
26 Article – Insurance  
27 Section 20–301  
28 Annotated Code of Maryland  
29 (2011 Replacement Volume)

---

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 BY adding to  
2 Article – Insurance  
3 Section 20–6A–01 through 20–6A–08 to be under the new subtitle “Subtitle 6A.  
4 Low–Cost Automobile Insurance Program – Prince George’s County”  
5 Annotated Code of Maryland  
6 (2011 Replacement Volume)

7 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
8 MARYLAND, That the Laws of Maryland read as follows:

9 **Article – Insurance**

10 20–301.

11 (a) The purpose of the Fund is to provide the financial security required  
12 under § 17–103 of the Transportation Article to:

13 **(1)** those eligible persons that are unable to obtain it from an  
14 Association member; **AND**

15 **(2) ELIGIBLE INDIVIDUALS UNDER THE LOW–COST AUTOMOBILE**  
16 **INSURANCE PROGRAM IN PRINCE GEORGE’S COUNTY ESTABLISHED IN**  
17 **SUBTITLE 6A OF THIS TITLE.**

18 (b) Moneys of the Fund consist of revenues, premiums, and other receipts  
19 provided by law.

20 (c) (1) All operating expenses of the Fund shall be paid from the moneys  
21 collected by or for the Fund.

22 (2) (i) Subject to subparagraphs (ii) through (iv) of this paragraph,  
23 moneys and property available to the Fund may be used for the general purposes of  
24 the Fund.

25 (ii) Premiums collected and income accruing from those  
26 premiums may be used only for the payment of claims arising under policies issued by  
27 the Fund and for the administrative expenses of the Fund.

28 (iii) The Fund shall keep separate records of any income and  
29 expenses directly attributable to the processing and payment of unsatisfied claims  
30 under Subtitle 6 of this title.

31 (iv) The Fund shall keep separate records of any income and  
32 expenses directly attributable to its commercial policy and claims operations.



1           **(3) SHALL BE IN A HOUSEHOLD WITH A GROSS ANNUAL**  
2 **HOUSEHOLD INCOME THAT DOES NOT EXCEED 250% OF THE FEDERAL POVERTY**  
3 **LEVEL;**

4           **(4) SHALL BE AT LEAST 19 YEARS OF AGE AND HAVE BEEN**  
5 **CONTINUOUSLY LICENSED TO DRIVE AN AUTOMOBILE FOR THE PREVIOUS 3**  
6 **YEARS;**

7           **(5) MAY NOT HAVE MORE THAN ONE OF EITHER, BUT NOT BOTH,**  
8 **OF THE FOLLOWING WITHIN THE PREVIOUS 3 YEARS:**

9                   **(I) A PROPERTY-DAMAGE-ONLY ACCIDENT IN WHICH THE**  
10 **DRIVER WAS PRINCIPALLY AT FAULT; OR**

11                   **(II) A POINT FOR A MOVING VIOLATION;**

12           **(6) MAY NOT HAVE ON RECORD WITHIN THE PREVIOUS 3 YEARS,**  
13 **AN AT-FAULT ACCIDENT INVOLVING BODILY INJURY OR DEATH;**

14           **(7) MAY NOT HAVE A FELONY OR MISDEMEANOR CONVICTION FOR**  
15 **A VIOLATION OF THE MOTOR VEHICLE LAWS; AND**

16           **(8) MAY NOT BE A COLLEGE STUDENT CLAIMED AS A DEPENDENT**  
17 **OF ANOTHER INDIVIDUAL FOR FEDERAL OR STATE INCOME TAX PURPOSES.**

18           **(C) THE ELIGIBILITY OF AN APPLICANT FOR INSURANCE FROM THE**  
19 **PROGRAM SHALL BE CERTIFIED AT A TIME AND IN A MANNER APPROVED BY**  
20 **THE PROGRAM.**

21 **20-6A-04.**

22           **(A) EACH LOW-COST AUTOMOBILE INSURANCE POLICY ISSUED BY THE**  
23 **PROGRAM:**

24                   **(1) EXCEPT AS OTHERWISE PROVIDED IN THIS SECTION, SHALL**  
25 **CONTAIN THE MINIMUM COVERAGES REQUIRED UNDER TITLE 19, SUBTITLE 5**  
26 **OF THIS ARTICLE; AND**

27                   **(2) MAY CONTAIN OTHER PROVISIONS DETERMINED BY THE**  
28 **EXECUTIVE DIRECTOR AND APPROVED BY THE BOARD OF TRUSTEES AND THE**  
29 **COMMISSIONER.**

30           **(B) EACH POLICY ISSUED BY THE PROGRAM MAY PROVIDE COVERAGE**  
31 **ONLY FOR AN AUTOMOBILE WITH, AT THE TIME OF PURCHASE BY THE INSURED,**

1 A VALUE OF \$10,000 OR LESS, AS EVIDENCED BY THE VALUE GIVEN TO THE  
2 AUTOMOBILE BY THE MOTOR VEHICLE ADMINISTRATION IN ASSESSING  
3 VEHICLE LICENSE FEES.

4 (C) (1) EACH POLICY ISSUED BY THE PROGRAM MAY PROVIDE ONLY  
5 FOR:

6 (I) THE PAYMENT OF CLAIMS FOR BODILY INJURY OR  
7 DEATH ARISING FROM AN ACCIDENT OF UP TO \$15,000 FOR ANY ONE PERSON  
8 AND UP TO \$30,000 FOR ANY TWO OR MORE PERSONS, IN ADDITION TO  
9 INTEREST AND COSTS; AND

10 (II) THE PAYMENT OF CLAIMS FOR PROPERTY OF OTHERS  
11 DAMAGED OR DESTROYED IN AN ACCIDENT OF UP TO \$7,500, IN ADDITION TO  
12 INTEREST AND COSTS.

13 (2) NOTWITHSTANDING ANY OTHER PROVISION OF THIS ARTICLE,  
14 A LOW-COST POLICY ISSUED BY THE PROGRAM SHALL SATISFY THE MINIMUM  
15 SECURITY REQUIRED BY § 17-103 OF THE TRANSPORTATION ARTICLE.

16 **20-6A-05.**

17 SUBJECT TO THE APPROVAL OF THE COMMISSIONER, THE EXECUTIVE  
18 DIRECTOR SHALL DETERMINE THE PREMIUMS TO BE CHARGED ON POLICIES  
19 ISSUED BY THE PROGRAM.

20 **20-6A-06.**

21 (A) FUND PRODUCERS MAY BIND COVERAGE IN THE FUND FOR AN  
22 APPLICANT TO THE PROGRAM IF THE APPLICANT SUBMITS AN APPLICATION TO  
23 THE FUND PRODUCER AND PAYS THE REQUIRED PREMIUM.

24 (B) FUND PRODUCERS SHALL PROVIDE NOTICE TO APPLICANTS FOR  
25 LOW-COST POLICIES UNDER THIS SUBTITLE ABOUT THE LIMITATIONS UNDER  
26 THE POLICY.

27 (C) THE BOARD OF TRUSTEES, IN CONSULTATION WITH THE  
28 ADMINISTRATION, SHALL ADOPT REGULATIONS TO CARRY OUT THIS SECTION.

29 **20-6A-07.**

30 (A) THE PROGRAM:

1           **(1) MAY REJECT AN APPLICATION FOR LOW-COST AUTOMOBILE**  
2 **INSURANCE IF THE APPLICANT OWES TO THE PROGRAM AN UNPAID PREMIUM**  
3 **ON AN EXPIRED OR CANCELED POLICY;**

4           **(2) AT ANY TIME MAY CANCEL A POLICY FOR NONPAYMENT OF**  
5 **PREMIUMS;**

6           **(3) MAY REJECT AN APPLICATION OF INSURANCE OR AT ANY TIME**  
7 **MAY CANCEL A POLICY IF IT IS FOUND THAT THE DRIVER'S LICENSE OF THE**  
8 **APPLICANT OR POLICYHOLDER IS SUSPENDED OR REVOKED; OR**

9           **(4) MAY CANCEL AT ANY TIME A POLICY IF THE INSURED FAILS TO**  
10 **MEET THE ELIGIBILITY REQUIREMENTS UNDER § 20-6A- 03 OF THIS SUBTITLE.**

11           **(B) THE BOARD OF TRUSTEES, IN CONSULTATION WITH THE**  
12 **ADMINISTRATION, SHALL ADOPT REGULATIONS THAT RELATE TO PROCEDURES**  
13 **FOR CANCELLATION OF POLICIES UNDER THIS SECTION.**

14 **20-6A-08.**

15           **THE BOARD OF TRUSTEES, IN CONSULTATION WITH THE**  
16 **ADMINISTRATION, SHALL ADOPT REGULATIONS TO CARRY OUT THIS SUBTITLE.**

17           **SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect**  
18 **October 1, 2012.**